

**BELLAIRE DISTRICT FIRE AUTHORITY
FOREST HOME AND KEARNEY TOWNSHIPS
ANTRIM COUNTY
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2008**

FIRE AUTHORITY BOARD

Chairman	Ed McDuffie
Vice-Chairman	Mike Bigelow
Secretary	Roger Rainey
Treasurer	Quinton White
Member	Tim Hannert

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Independent Auditor's Report

November 24, 2008

Bellaire District Fire Authority
Members of the Board

We have audited the accompanying financial statements of the governmental activities and the major fund information of the Bellaire District Fire Authority, as of and for the year ended March 31, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund information of the Bellaire District Fire Authority, Antrim County, Michigan as of March 31, 2008, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principle generally accepted in the United States of America.

The management's discussion and analysis on pages 2-4 and budgetary comparison information on page 14 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Keskin, Cook, Miller & Alexander, LLP



Bellaire District Fire Department
P.O. Box 483
Bellaire, Michigan 49615

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Bellaire Fire District Authority annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended March 31, 2008.

Please read it in conjunction with the financial statements that immediately follow this section.

Financial Analysis of the Entity as a Whole

Our financial status improved compared to the last year. Assets increased by approximately \$205,000. Total assets as of March 31, 2008 are \$2,409,931 of which \$1,195,563 represents capital assets.

Liabilities increased from approximately \$51,000 in the prior year to approximately \$100,000 as of March 31, 2008. This increase is attributable to approximately \$55,000 in deferred revenue relating to the fiscal year ended March 31, 2009 that was received during the year ended March 31, 2008.

The excess of revenue over expenses totaled approximately \$157,284 which increases the Authority's net assets to approximately \$2,310,000 of which approximately \$1,196,000 is invested in capital assets.

The following table shows, in a condensed format, the net assets as of March 31, 2008 and 2007.

	<u>3/31/2008</u>	<u>3/31/2007</u>
Assets		
Current assets	\$ 1,214,368	\$ 920,465
Noncurrent assets	1,195,563	1,283,234
Total assets	<u>\$ 2,409,931</u>	<u>\$ 2,203,699</u>
Current Liabilities	<u>\$ 99,556</u>	<u>\$ 50,603</u>
Net Assets		
Invested in capital assets	1,195,563	1,283,234
Unrestricted	<u>1,214,368</u>	<u>869,862</u>
Total net assets	<u>\$ 2,409,931</u>	<u>\$ 2,153,096</u>

Financial Analysis of the Entity as a Whole (continued)

Overall revenues and expenses were approximately \$545,000 and \$388,000 respectively.

Contract revenue resulting from property taxes levied in Forest Home and Kearney Township's increased approximately \$21,000 from the prior year as a result of increasing taxable value of properties located within the two Townships. The Authority's contract with Custer Township increased approximately \$3,000 from the prior year. Interest income increased by approximately \$12,000 as the Authority's cash balance increased throughout the year.

Expenses for the year ended March 31, 2008 totaled approximately \$388,000 including depreciation of approximately \$103,000. In the prior year, expenses totaled approximately \$322,000 which included approximately \$101,000 of depreciation expense. The increase in expense is largely attributable to an increase in wages which resulted from an increased number of runs.

Overview of the Financial Statements

This annual report consists of three parts; management discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Authority.

The government-wide financial statements provide both long and short-term information about our overall status. The fund financial statements provide financial information using the current measurement focus. The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Government-Wide Financial Statements

The government-wide statements report information about the Authority as a whole, using accounting methods used by private companies. The statement of net assets includes all the Authority's assets and liabilities. The state of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Authority's assets and liabilities and this is one method to measure the Authority's financial health or position.

Over time increases or decreases in the Authority's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Authority, you may also have to consider additional factors such as tax base changes, facility and equipment conditions, and personnel changes.

Government-Wide Financial Statements (continued)

All of the activities of the Authority are reported as governmental activities; the Authority engages in only one type of activity – fire rescue services.

Fund Financial Statements

The fund financial statements provide more detailed information about the Authority's funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The entity has the following kind of funds:

Fire Fund - All of the Authority's activities are included in the fire fund, classified in the governmental fund category. This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the entity wide statements and the fund statements are disclosed in the adjustment columns of the financial statements to explain the differences between them.

Capital Assets

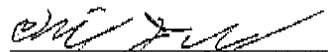
As of March 31, 2008, the Authority had approximately \$2,366,000 of capital assets of which approximately \$1,170,000 has been expensed as depreciation. Capital assets include land, building, trucks, and various other equipment.

Known Factors affecting Future Operations

The Fire Authority is committed to providing fire services to the residents of Forest Home, Kearney, and part of Custer Township. At this point in time, we have no formalized plans for significant operating changes or capital asset purchases.

Contacting Authority Management

This financial report is designed to provide our taxpayers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenues it receives. If you have questions concerning this report, please contact any member of the Fire Authority Board.



Chris Dewey, Fire Chief
Bellaire Fire District Authority

BELLAIRE DISTRICT FIRE AUTHORITY
GOVERNMENTAL FUND BALANCE SHEET - STATEMENT OF NET ASSETS
MARCH 31, 2008

	Balance Sheet - Modified Accrual	Adjustments	Statement of Net Assets - Full Accrual
Assets			
Cash	\$ 1,059,914	\$ -	\$ 1,059,914
Contracts receivable:			
Kearney Township	41,146	-	41,146
Forest Home Township	113,308	-	113,308
Capital assets not being depreciated	-	8,500	8,500
Capital assets being depreciated, net	-	1,187,063	1,187,063
Total assets	\$ 1,214,368	\$ 1,195,563	\$ 2,409,931
Liabilities			
Accounts payable	15,000	-	15,000
Accrued liabilities	29,772	-	29,772
Deferred revenue	\$ 54,784	-	\$ 54,784
Total liabilities	99,556		99,556
Fund Balance			
Reserved	47,222	(47,222)	
Unreserved and undesignated	1,067,590	(1,067,590)	
Total fund balance	1,114,812	(1,114,812)	
Total liabilities and fund balance	\$ 1,214,368		
Net Assets			
Invested in capital assets		1,195,563	1,195,563
Unrestricted		1,067,590	1,067,590
Restricted		47,222	47,222
Total net assets		\$ 2,310,375	\$ 2,310,375

See accompanying notes to financial statements.

BELLAIRE DISTRICT FIRE AUTHORITY
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

	Revenues and Expenditures - Modified Accrual	Adjustments	Statement of Activities - Full Accrual
Revenue			
Contracts:			
Forest Home Township	\$ 258,115	\$ -	\$ 258,115
Kearney Township	204,515	-	204,515
Custer Township	50,593	-	50,593
Interest	31,691	-	31,691
Total revenue	544,914	-	544,914
Expenditures			
Wages and fringes	180,370	-	180,370
Insurance	28,605	-	28,605
Fire fighting supplies	32,043	-	32,043
Fire fighting accessories	344	-	344
Longevity fund contribution	15,000	-	15,000
Repair and maintenance	5,325	-	5,325
Office expense	2,105	-	2,105
Professional fees	1,200	-	1,200
Public relations	2,289	-	2,289
Utilities	9,697	-	9,697
Medical	1,773	-	1,773
Training	5,629	-	5,629
Capital outlay	15,579	(15,579)	-
Depreciation	-	103,250	103,250
Total expenditures	299,959	87,671	387,630
Excess (deficiency) of revenues over (under) expenditures	244,955	(87,671)	157,284
Fund Balance / Net Assets:			
April 1, 2007	869,857		2,153,091
March 31, 2008	\$ 1,114,812	\$ (87,671)	\$ 2,310,375

See accompanying notes to financial statements

**BELLAIRE DISTRICT FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE 1: ENTITY

The Bellaire Fire District Authority is a joint venture created in December 1973 by Forest Home and Kearney Townships. The Department was organized to better serve the citizens of both Townships and the Village of Bellaire. The Authority is under the control of a Board consisting of two members from each Township and a member from the Village of Bellaire. The Board members are appointed by each Townships' Board. The Board's duties are to oversee operations, maintain assets, and communicate with the Fire Chief. In March 1982, the taxpayers of Forest Home and Kearney Townships voted to create a joint special assessment district, under authority of Michigan Public Act 33 of 1951 as amended. This special assessment provides the funding for the Authority's operations. The Fire Authority's boundaries include all of Forest Home and Kearney Townships. Separate financial statements are available from Forest Home and Kearney Townships as follows: Forest Home Township, PO Box 317, Bellaire, MI 49615-0317; Kearney Township, PO Box 51, Bellaire, MI 49615-0051.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the Bellaire District Fire Authority are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide required disclosures of the Authority's financial activities.

The accounting policies of the Bellaire Fire District Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Authority as a whole.

Fund Financial Statements

Fund financial statements are provided for the Authority's governmental fund. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**BELLAIRE DISTRICT FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FUND TYPE AND MAJOR FUND

Governmental Fund

The Authority reports the following major governmental fund:

Fire Fund - This fund is used to account for all financial transactions of the Bellaire Fire District Authority. The Authority's primary source of revenue is from contracts with both the member Townships and neighboring Townships. The source of the member Township's contributions are from property taxes in the form of special assessments for fire protection. The neighboring Township's Contract is renewed on an annual basis. Additional revenue sources are interest income from investments and other income from miscellaneous activities.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Authority entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues to be available if they are collected within 60 days of the end of the fiscal year.

**BELLAIRE DISTRICT FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures are recorded when the related fund liability is incurred, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes and investment income. In general, other revenues are recognized when cash is received.

BUDGET

An annual budget is required of the Bellaire Fire District Authority. The budget is open to the public for their consideration before final adoption. The Authority's budget was adopted on a fund level using the modified accrual basis of accounting. The budget was amended as necessary throughout the year. Both the original and amended budgets are presented in these financial statements, as a part of required supplementary information. Budgets as adopted end on March 31st of each year. There are no carryover budget items.

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Bellaire Fire District Authority overspent its budget in the general fund for two items. Payroll overspent by \$17,370 and the firefighter longevity fund overspent by \$5,000.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RESTRICTED RESOURCES

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority first uses restricted net assets to fund the expense and once depleted, uses unrestricted net assets to fund the remaining expense.

CAPITAL ASSETS AND DEPRECIATION

The Authority's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government wide financial statements. The Authority has no infrastructure assets. Donated assets are stated at fair value on the date donated. The Authority generally capitalizes assets with historical cost of \$1,500 or more as purchase and construction outlays occur, if:

**BELLAIRE DISTRICT FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

1. the estimated life of the assets is extended by more than 25% or
2. the cost results in an increase in the capacity of the asset, or
3. the efficiency of the asset is increased by more than 10%, or
4. the expense significantly changes the character of the asset

Otherwise, the cost is expensed as repair and maintenance.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	25 – 40
Land Improvements	10 – 20
Furniture, machinery, and equipment	1 – 10
Vehicles and Peripherals	20 – 30

Land and construction in progress are not depreciated.

For information describing capital assets, see Note 8.

NOTE 3: CUSTODY OF ASSETS

All assets are under the control of the Authority. Per state statute, the Bellaire Fire District Authority may not retain title to any assets and must designate one member as custodian. The Township of Forest Home has been designated as the custodial member. The Authority has indicated that should it dissolve, remaining assets would be split pro rata between the Townships based on their respective equalized value at the time of dissolution.

NOTE 4: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Authority's Fire Fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and the statement of activities. The difference results primarily from the long-term economic focus of the statement of net assets and the statement of activities versus the economic focus of the statement of the governmental fund balance sheet and the statement of revenue, expenditures, and changes in fund balance.

**BELLAIRE DISTRICT FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE 4: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

The following reconciliation of fund balance to net assets and the changes in fund balance to the net change in net assets are as shown.

Total Fund Balance - Modified Accrual Basis	\$ 1,114,812
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Amounts reported for use in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	1,195,563
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Total Net Assets - Full Accrual Basis	<u>\$ 2,310,375</u>
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Net Change in Fund Balance - Modified Accrual Basis	\$ 244,955
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities these costs are allocated over their estimated useful lives as depreciation. This is the amount by which depreciation exceeds capital outlays in the current period	(87,671)
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Change in Net Assets - Full Accrual Basis	<u>\$ 157,284</u>
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NOTE 5: CASH

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States of any agency or instrumentality of the United States; repurchase agreements; banker's acceptances of United States banks; commercial paper rated within the two highest classifications, which mature no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

**BELLAIRE DISTRICT FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

NOTE 5: CASH AND INVESTMENTS (CONTINUED)

The Board has designated two banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized the Fire Authority to invest in all of the State statutory investments as listed above. The deposits and investment policies are in accordance with statutory authority.

The Fire Authority had no investments during the year ended March 31, 2008.

The bank balance of the Fire Authority's deposits totaled \$1,059,914 of which \$147,743 is covered by the FDIC.

NOTE 6: CONTRACTS RECEIVABLE

Balances at March 31, 2008, consist of Township delinquent property taxes that as of year-end had not been received by the Townships. These balances are paid to the Fire Authority by the Townships within 60 days of year-end following the Township's settlement with the County.

NOTE 7: ACCOUNTS PAYABLE

Accounts payable is comprised of accrued payroll and payroll taxes, due to timing differences and unearned income from Custer Township that was recorded as income but was for the March 31, 2009 fiscal year and Longevity fund payable.

**BELLAIRE DISTRICT FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

Note 7: Capital Assets

Capital asset activity of the Fire Authority's governmental activities was as follows:

Governmental Activities :	Balance Beginning of Year	Additions	Disposals	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 8,500	\$ -	\$ -	\$ 8,500
Capital assets being depreciated:				
Buildings	\$ 321,063	\$ 2,562	\$ -	\$ 323,625
Equipment	218,060	13,016	-	231,076
Vehicles	1,802,617	-	-	1,802,617
Subtotal	2,341,740	15,578	-	2,357,318
Accumulated depreciation:				
Buildings	114,333	9,155	-	123,488
Equipment	69,909	15,477	-	85,386
Vehicles	882,763	78,618	-	961,381
Subtotal	1,067,005	103,250	-	1,170,255
Net capital assets being depreciated	1,274,735	(87,672)	-	1,187,063
Net capital assets	\$ 1,283,235	\$ (87,672)	\$ -	\$ 1,195,563

Note 8: Insurance Coverages

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Authority participates in the Michigan Municipal Liability and Property Pool, a self-insured group. The pool is considered a public entity risk pool. The Authority pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Authority has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Authority carries commercial insurance for other types of losses including employee health and accident insurance.

**BELLAIRE DISTRICT FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

Note 9: Restricted Net Assets

The Authority has established the Firefighter Longevity Fund as a deferred compensation arrangement to reward those firefighters who contribute more than 5 years of service. During the year ended March 31, 2008, the Authority contributed \$15,000 to the Longevity Fund. The contributions are invested in short-term bank certificate of deposits and the Longevity Fund's use is restricted. The total value of the Longevity Fund as of March 31, 2008 is \$47,222.

BELLAIRE FIRE DISTRICT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance From Final Amended Budget</u>
Revenues:				
Contracts:				
Forest Home Township	\$ 240,941	\$ 240,941	\$ 258,115	\$ 17,174
Kearney Township	198,635	198,635	204,515	5,880
Custer Township	50,593	50,593	50,593	-
Interest	12,000	12,000	31,691	19,691
Total revenue	<u>502,169</u>	<u>502,169</u>	<u>544,914</u>	<u>42,745</u>
Expenditures:				
Wages and fringes	163,000	163,000	180,370	(17,370)
Fire fighting supplies	48,000	48,000	32,043	15,957
Fire fighting accessories	12,000	12,000	344	11,656
Longevity fund contribution	10,000	10,000	15,000	(5,000)
Insurance	40,000	40,000	28,605	11,395
Repair and maintenance	10,000	10,000	5,325	4,675
Office expense	7,000	7,000	2,105	4,895
Professional fees	3,500	3,500	1,200	2,300
Public relations	3,500	3,500	2,289	1,211
Utilities	12,000	12,000	9,697	2,303
Medical	2,500	2,500	1,773	727
Training	10,000	10,000	5,629	4,371
Miscellaneous	500	500	-	500
Capital outlay	464,972	464,972	15,579	449,393
Total expenditures	<u>786,972</u>	<u>786,972</u>	<u>299,959</u>	<u>487,013</u>
Excess (deficiency) of revenues over (under) expenditures	(284,803)	(284,803)	244,955	529,758
Fund Balance - April 1, 2007	<u>869,857</u>	<u>869,857</u>	<u>869,857</u>	<u>-</u>
Fund Balance - March 31, 2008	<u>\$ 585,054</u>	<u>\$ 585,054</u>	<u>\$ 1,114,812</u>	<u>\$ 529,758</u>



Keskin, Cook, Miller & Alexander, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Joseph G. Okrei, CPA (Ret.)
Walter J. Keskin, CPA (Ret.)
Ronald D. Alexander, CPA (Ret.)

November 24, 2008

To the Fire Authority Board
Bellaire District Fire Authority
Antrim County, MI

We have audited the financial statements of the governmental activities and the major fund of Bellaire District Fire Authority (the Authority) for the year ended March 31, 2008, and have issued our report thereon dated November 24, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 16, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on May 16, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of accumulated depreciation is based on the estimated useful life of the assets. We evaluated the key factors and assumptions used to develop the useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Authority's Measurement Focus and Basis of Accounting policy in Note 2 to the financial statements. We evaluated standard governmental accounting policies and procedures in determining the adequacy of the disclosure from a neutral, consistent and clear perspective for the end user.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 24, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Segregation of Duties

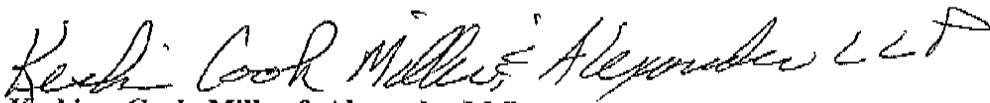
A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Authority's staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

The definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles (GAAP). As a matter of convenience, the Authority has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Authority has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Authority has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

This communication is intended solely for the information and use of management, the Bellaire District Fire Authority's Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,


Keskine, Cook, Miller & Alexander LLP



Keskin, Cook, Miller & Alexander, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Jeffrey B. Cook, CPA
Richard W. Miller, CPA
Ronald D. Alexander, CPA
Curt A. Reppuhn, CPA

Terry J. Distel, CPA (Ret.)
Joseph G. Okrei, CPA (Ret.)
Walter J. Keskin, CPA (Ret.)

November 24, 2008

Members of the Board
Bellaire District Fire Authority

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the Bellaire District Fire Authority (the Authority) as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Authority's staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Authority has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP.

As a consequence, the Authority has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Authority has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

This communication is intended solely for the information and use of management, the Bellaire District Fire Authority's Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Keskine Cook Miller & Alexander LLP". The signature is written in a cursive, flowing style. The "K" is large and prominent, and the "LLP" is written in a more compact, stylized manner at the end.

Keskine, Cook, Miller & Alexander LLP